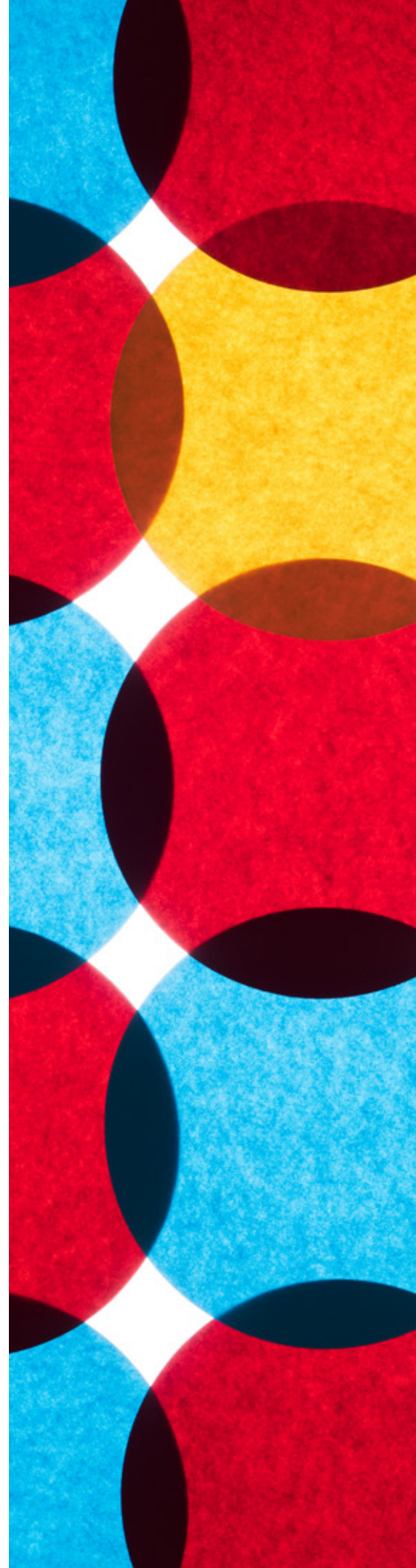


## Chief Communications Officers in the Boardroom — a Rarity Today, But Could That Change?

As digital and social media have become ubiquitous, the stakes for corporations have risen. On one hand, the myriad opportunities to seize new high ground, open new markets, and invent new products and business lines are unprecedented. On the other, the speed and intensity with which information travels makes preserving reputation and market value more challenging than ever before. One week, an airline is forced into damage control when a viral video shows a passenger being violently pulled off a plane; the next, a credit agency goes into crisis mode when hackers steal the personal information of millions of customers.

In this environment, it's no surprise that the chief communications officer (CCO) has become an increasingly important member of the executive team. A talented CCO brings the ability to manage and influence media; interpret and evaluate market feedback; capitalize on new opportunities; and deftly navigate crises. These executives are adept at soothing an irate public, calming nervous investors, building bridges with policymakers and shaping influential media stories. They understand how to preserve — and grow — reputation and market value in a volatile environment where both can spiral downward at breathtaking speed.



It would only stand to reason, then, that communications executives might expect to see more demand for their expertise in the boardroom. After all, we've seen time and again that a company's reputation is inextricably linked to its success or demise — and who better to advise a board than executives who have spent their entire careers navigating complex reputation management scenarios?

As it turns out, few CCOs currently serve on corporate boards: only 16 directors who have held the top communications role sit on Fortune 500 boards, according to Spencer Stuart research. But that's the current state of play — how might CCOs gain greater boardroom participation down the road?

To gain further insight into the current (and future) relationship between CCOs and boards, we talked to several communications leaders who sit on boards, as well as CEOs who have communications executives on their boards. They told us that communications expertise alone is not enough to earn a seat in the board room — rather, strategic vision, strong business and financial acumen, and high-level leadership experience are more important than a functional communications skill set. But there is optimism that boardroom opportunities for CCOs may multiply, as several in the group believe that the increasingly volatile business environment and greater degree of consumer and shareholder activism is raising the stakes for boards who need to manage corporate reputation, which will eventually help qualified CCOs with strong business backgrounds earn coveted board seats.

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**HUBERT JOLY**  
CHAIRMAN AND CEO  
BEST BUY

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## **BARRIERS TO THE BOARDROOM**

One logistical obstacle keeps communications leaders and other talented executives from becoming more widespread on boards: only a small number of seats become available on U.S. boards every year. S&P 500 boards appointed 397 new independent directors during the 2017 proxy year, which was the largest number since 2004 and an increase of 15 percent over the previous year's total (and a 36 percent rise since 2012).

Despite this increase, however, the opportunity for prospective board members is still small: Spencer Stuart research found there were 5,473 total board seats among S&P 500 companies, which equals an annual vacancy rate of only 7 percent. Also, 48 percent of boards did not appoint a new director at all, according to the 2017 edition of the *Spencer Stuart U.S. Board Index*. And as we have seen, open board seats often go to current or retired CEOs whose broad-based experience and insight are greatly valued. Financial and legal expertise is also in high demand.

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## New 2017 S&P 500 board members

Active CEO/chair/president/COO/vice chair	18%
Retired CEO/chair/president/COO/vice chair	18%
Financial backgrounds	29%
Women	36%
Turnover rate, per board	0.81

Percentages may not total 100% due to rounding.

“At some point, it comes down to numbers — there’s just not very much turnover in the S&P 500 at the board level,” notes Wendy Webb, who led investor relations at Disney; was investor relations officer and CCO at Ticketmaster; has sat on the boards of Jack in the Box, TiVo, 9 Spokes and ABM Industries; and was recently named to the board of Wynn Resorts. “And if you’re a woman, then you’re looking at just over one-third of those spots. So the math gets skinny pretty fast when a notable percentage of the new director seats are going to CEOs or leaders with financial backgrounds, and you’re not up for those.”

Beyond the numbers, CCOs and communication experts simply haven’t been top of mind when board seats become available. Fairly or not, the field of communications has been painted as a “softer” skill — similar to the way HR was viewed in previous decades — and therefore not as crucial to a board’s mandate.

“When you’re looking for a new director, you don’t typically think of the head of communications as your target,” says Hubert Joly, Chairman and CEO of Best Buy. “You usually go to sitting CEOs or recently retired CEOs, functional leaders or maybe the heads of e-commerce. Essentially, you look more to business leaders or CFO types.” Agrees Aflac CEO Dan Amos: “People tend to surround themselves with people they work with all the time. Generally, operational executives deal more with accountants and lawyers than with communicators, so it’s more natural to pursue this group for boards than it is to look outside for someone like a CCO.”

Communications expertise isn’t usually high on the list of priorities when boards are looking to fill vacancies — indeed, governance standards call for expertise in a broad range of areas, and communications typically is not noted as a singular domain. Therefore, communications experts must be able to take a bigger-picture view of the business and offer insights into areas like strategy, finance, governance and beyond. Even then, deep business insight alone is not enough to earn a board’s interest — a candidate must bring an intangible element, as well. For Joly, a board invitation requires an assured, independent thinker who can provide “wisdom” and be “someone I’d go to for advice.”

Joly, whose board at Best Buy includes a communications and corporate affairs executive, continues, “If you are a plain, vanilla head of communications who’s just managing the pipeline, you have no place on the board. You need more than business acumen — you need real-life experience leading, or being part of a leadership team that has led, a major transformation. If you are a business leader who happens



to have a functional skill, such as communications and change management, then you have the right to be on the board.”

Indeed, when discussing why the Aflac board added Betty Hudson (who was then senior vice president of communications with NBC) in 1990, Amos says her communications experience never entered the picture. Rather, Amos was impressed with her overall abilities and insight.

“It really wasn’t about bringing on a communications director, it was more about bringing on someone who was qualified,” Amos recalls. “I felt Betty had business acumen and understood what was going on in the business world, and I thought she would add some depth to the board. That was really the driving force.” For her part, Hudson says her relationships with CCOs at other large companies added value. “I have a different professional network and can occasionally tap into it for backchannel insights on an array of issues,” she says.

Communications experts themselves recognize that it is their broader business skills that open the door to boardroom service. “Certain communicators can add tremendous value to the boardroom because of the way they look at the business, but they’ve gotten there because they’ve become accomplished business people first and foremost,” says AnnaMaria DeSalva, former CCO for DuPont and board member at Argonne National Laboratory and XPO Logistics, where she is governance chair. “So they have a strong communications competency and orientation, but they also have the ability to make good business judgments that lead to strong value creation, which is really the purpose of the board.”

A brand’s reputation is increasingly crucial in today’s marketplace, and someone who can provide perspective on reputation within a larger framework can bring high value to a board. Risk oversight for boards often focused primarily on operational and financial concerns, but today’s forward thinking boards have begun to add reputational risk to the equation. Pfizer’s board audit committee put together a financially oriented list of risks facing the company and recently added reputational metrics to these risk measurements, notes Sally Susman, executive vice president of corporate affairs at Pfizer, former board member of Equity Office Properties Trust and current board member at WPP PLC.

With formidable experience working on the front lines of societal, business and economic transformation, communications experts can offer key insights as companies strive to attract top talent, win the loyalty of customers and expand into new markets. “If you aren’t putting a premium on your reputation, I would sell your stock,” Hudson says. “At the end of the day, your reputation is the essence of your business. Future success depends on your stakeholders’ continued belief that your organization will perform well operationally, financially, and ethically in societal and governance terms. I think board stewardship of institutional reputation is moving from a kind of implicit approach to a much more explicit model, with metrics. And CCOs can add great value to that process.”

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## A COOL HEAD DURING A CRISIS

Management teams typically handle logistical operations, which are often beneath the bigger-picture perspective of boards. That also applies to crisis management, “which is more of an operating issue,” Susman says. However, it’s worth noting that communications expertise on its own can be valuable to boards. Hudson’s value to the Aflac board was proven in 2011 when the company experienced a severe PR crisis: immediately after the disastrous Japanese tsunami, Aflac commercial actor Gilbert Gottfried sent out several insensitive tweets making light of the tragedy. The magnitude of the news brought the situation straight up to Amos. “My phone started ringing off the hook within a matter of minutes with reporters wanting to know what we were going to do about it,” Amos says. “So I asked them, ‘Will you give me half an hour?’ And we called the team together and talked to Betty.”

Hudson says the action was obvious: “The first step was to get facts — was this really Gilbert Gottfried? That move is ever more critical in today’s era of ‘fake news.’ After establishing that it was indeed him, it was unpleasant but easier for the team to cut him loose. They then donated his salary to the disaster relief fund.” Amos says Hudson’s thoughtful, immediate response saved Aflac from dire consequences. “I could just see the headlines if we hadn’t talked to Betty: ‘Aflac debating what to do with Gilbert Gottfried.’ And we would’ve lost control of the story from that moment onward,” he says. “Betty’s expertise was incredibly valuable. It helped us tremendously.” Hudson adds that Aflac turned the potential crisis into a big PR win: “After that initial call, the Aflac team turned lemons into lemonade by launching a nationwide contest to select the next voice of the Aflac Duck.”

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**ANNAMARIA DESALVA**  
BOARD MEMBER ARGONNE  
NATIONAL LABORATORY AND  
XPO LOGISTICS

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## REASONS FOR OPTIMISM

The speed and immediacy of digital communications, and its potential for value creation or destruction, have increased the focus on a company’s reputation. As a result, proactively managing reputation must be part of a company’s long-term strategic vision. The digital realm has made activism easier and more popular — powerful groups of vocal stakeholders are engaging with, challenging and disrupting businesses daily. As communications leaders are called upon to help navigate and manage this new paradigm, it will open doors for CCO expertise in the boardroom.

“Boards need to be aware of the passions their customers have, and how to engage with them,” Susman says. “People are environmentalists, or breast cancer survivors or mommy bloggers. They have arranged themselves into these smaller pods that are issue-based. They’re very passionate, and they have impact on companies. Combine that with social media, and these issues combust to make companies highly sensitive to their interface with the external world. So boards need more

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*“Over time, we will come to the day when communications is going to stand on its own merits in board consideration because it’s a volatile landscape out there.”*

**LISA CAPUTO**  
BOARD MEMBER  
BEST BUY

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people who have deep experience in that regard.”

This trend will continue to grow as a younger, more engaged generation enters the marketplace, putting more emphasis on environmental, social and governance issues. Amos says millennials have repeatedly proven that social concerns are important to them, which directly connects to a company’s reputation.

“Millennials aren’t just interested in profit and loss, they’re interested in what a company stands for and how you get that message out,” he says. “And part of the board’s responsibility is certainly strategic planning, but within the scope of strategic planning is how people view the company going forward — the customer, the employee, the shareholders. And it’s very important that they like the image of the company.”

As a result, it seems inevitable that CCOs will eventually be in greater numbers within Fortune 500 boardrooms, notes Lisa Caputo, who sits on the board of Best Buy and is executive vice president and chief marketing and communications officer for The Travelers Companies. Caputo oversees several functional areas, including marketing, communications, customer experience, research and creative services.

“It’s definitely becoming more commonplace today to have a discussion about bringing communications expertise in the boardroom,” Caputo says. “Over time, we will come to the day when communications is going to stand on its own merits in board consideration because it’s a volatile landscape out there. When you see what’s going on around the country with issues such as cyber security and data breaches, these are crisis communication issues that link directly to reputation and brand management. You need communications expertise to forge through these issues.”

## CONCLUSION

As the numbers indicate, communications experts have yet to make significant inroads into the boardroom. This scarcity is due in part to the daunting fact that so few seats become available every year, but there’s also the belief that communication skills — while valuable in their own right — aren’t enough on their own to contribute significantly to a board’s larger mandate. However, our increasingly digitized world and the growing presence of both consumer and investor activism is elevating reputational issues to the board level, opening the door for communications leaders with the proven ability to contribute to wider business, governance and value creation matters.


## Authors

**Alexis Gorman** (New York), **George Jamison, III** (Stamford)

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## ways communications leaders can improve their board chances

### START SMALL




A seat on a small board — be it a nonprofit, university, smaller or private company — can be an excellent way to gain experience and make useful connections. “Helping a smaller, nonprofit board through difficult times, assisting in crafting a message for them or providing input into how to position the organization and its value proposition, are great experiences that help get you board ready,” Caputo says. And you never know who you’ll meet on the board: “There are some great nonprofit boards where the members are also on for-profit boards,” Hudson advises. “Get to know them, take them out for a cup of coffee. Talk to them about your interest in board service, and listen to their advice.”

### EXPAND YOUR NETWORK




Making connections is an obvious, but important, way to find board opportunities. “It’s a truism — networks and relationships matter, and volunteering with professional and community groups outside of work allows people to see and get to know you in a different context,” Hudson says. Susman notes that several doors opened for her after she struck up a meaningful conversation with a woman next to her on a flight from Miami to New York.

### TAKE THE INITIATIVE




Look for opportunities to be active in your company, particularly when communications can be a major driver of business outcomes. “When you lean into those challenges and the discomfort that comes with them, that’s how you build business acumen beyond your functional role,” DeSalva says. Also, she adds, “If you have the opportunity to become a part of a really high-performing executive team — especially one that’s involved in driving significant transformation — do it. Run, don’t walk. That’s an invaluable opportunity if you aspire to play a role in corporate governance.”

### REWORK YOUR RESUME



The classic resume that you used to get your current job may not be as relevant for board work. Instead, reconfigure your CV to highlight the board-friendly work you’ve done and emphasize your professional and community leadership experience — with metrics, if you have them. “Instead of the standard reverse chronological bio, consider reorganizing your portfolio to make it easier for a nominating committee to see your diversified experiences that complement your communications roles,” Hudson says.

### DEVELOP A BREADTH OF STRATEGIC EXPERIENCE



Boards want multifaceted directors with a broad-based business perspective, so it’s important to develop another area of proficiency so you can stand out from other communications experts. “Multiple disciplines is always a plus, because you get a ‘two-fer,’ or even a ‘three-fer,’ with one person,” notes Caputo. “Having communication expertise plus something else is definitely beneficial.”

## ABOUT SPENCER STUART

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning 57 offices, 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment and many other facets of organizational effectiveness.

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